

Voluntary - Public

Clearance Office: Office of Trade Programs (OTP)

Date: 5/8/2009

GAIN Report Number: MX9313

Mexico

Post: Mexico ATO

The Mexican Market for Soy Beverages

Report Categories:

Product Brief

Approved By:

W. Garth Thorburn

Prepared By:

María de Lourdes Guzmán Contró

Report Highlights:

Mexico's healthy beverage market has grown at an average annual rate of 12-to-15 percent for the past few years. Soy based beverages have experienced the most rapid increase, growing 15-to-20 percent a year since these products were introduced to the market three years ago. Today, over 30 Mexican companies produce products that appeal to consumers that are interested in healthier foods including powdered soymilks, natural and flavored soymilks and soy fruit juices. Since domestic production of soybeans is almost non-existent, over 95 percent of the isolates, blends and proteins used in this industry are imported from the United States.

General Information:

SECTION I. MARKET OVERVIEW

The Mexican market has evolved drastically over the past 10 years including the increase in demand for healthier foods. A stable economy resulted in higher per capita incomes, higher living standards and a growing number of Mexicans shifting to healthier lifestyles. The younger and more educated population is consuming more healthy products than ever and therefore creating new market opportunities. Some examples include the organic industry, the healthy snacks industry and particularly

the soybean based food products industry. The soybean industry has grown rapidly over the past 3 years from an almost non-existent sector to a well-established one. This report will focus on the soy beverage market, describe the trends in this growing market and the possible impact of the current economic slowdown.

The Mexican soy beverage market is divided into three main categories:

- Soy Drinks and Juices: This sector includes soy milk/drinks (natural, strawberry, chocolate and banana flavors) and soy juices with a wide array of natural fruit flavors. Most of these products are Ultra High Temperature (UHT) and are shelf stable for 6-to-10 months. Only a couple of brands have refrigerated products with much shorter shelf lives.
- Powdered Soy Milk.
- Functional Foods (Nutraceutical) Products: These are soy based beverages for athletes and special dietary products.

With the exception of Nutraceutical products which are mostly imported, most of the products are locally manufactured utilizing soybean proteins and isolates almost exclusively imported from the United States.

Table 1: Advantages and Challenges

Advantages	Challenges
Elimination of import duties by January 2009 as specified under NAFTA.	Protectionism measures during the current economic slowdown may affect the zero duty preference on soybean products
U.S. proximity to Mexico makes transportation costs lower than from other countries	Strict sanitary regulations and labeling requirements for food imports into Mexico
Almost a non-existent soybean production in Mexico	The weaker peso relative to the U.S. dollar makes imported products more expensive
Increased understanding of the benefits of healthy products	Strong domestic production of soybean beverages affecting imported products
Overall growing demand for health food products	The impression that diet or healthy products are tasteless or taste bad
Higher demand for specialty products for consumers with allergies, high cholesterol and other health problems	Consumers not very familiar with the benefits of soy products
Women's increasing purchasing power and desire for convenience and healthy foods	Strong competition from other better known healthy products or products with similar health benefits or claims
Improved distribution channels	Limited availability of these products in convenient and corner stores compared to the large supermarkets

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Currently, the greatest challenge is to overcome the economic downturn which has impacted the industry in several ways. The primary impact was the increase in soybean prices during 2008 which drove up prices of the final products, making them more expensive than traditional milk and juices. Second, the 40% peso devaluation in late 2008 had a big impact on the price of imported soybeans. Although the local industry has maintained the lower prices of these products, this practice cannot be sustained permanently. Third, the purchasing power of Mexican consumers is declining and will continue to be lower until the economy rebounds. This factor alone will limit the growth of this sector. The best case scenario estimates that the soy

beverage market will only increase 4-to-6 percent.

The Mexican government recently imposed retaliatory tariffs on 36 U.S. agricultural and food products in response to the elimination of the U.S.-Mexico Cross Border Trucking Demonstration Project. U.S. fruit juices were included on the retaliatory list and are now imposed a 15-20 percent import duty. Although soy juices are not currently imported into Mexico in great volumes, this recent action might affect future imports.

1. Entry Strategy

The best way to understand the Mexican market is visiting the country and talking to buyers, retailers, distributors and other players in order to prepare a more effective entry strategy. U.S. exporters must do their research not only in terms of typical market research, but also finding appropriate business contacts and thoroughly reviewing Mexican import regulations in order to successfully seize market opportunities and overcome market challenges. Personal relationships are the most important element in creating a solid and long lasting business relationship in Mexico. An affordable way to investigate the market is to participate in Mexican trade shows, particularly U.S. Pavilions which are organized by the Agricultural Trade Office (ATO) at selected shows.

Finding the right importer/distributor combination is the single most important challenge to entering the Mexican market. In the case of soybeans, for the processing industry, it is important to find someone with strong industry contacts.

There are three types of distributors for finished products:

- Specialized importers of health food products who sell to specialty stores and supermarkets, but do not have their own stores.
- A major health food store chain like GNC or Nutrisa with their own stores located in strategic areas in the country.
- A major processor of food products that carries a health food product line. They have nationwide distribution and have access to supermarkets and smaller corner stores.

The informal markets that mostly sell domestically produced goods are not a feasible venue for imported goods. These are traders located in street markets, small stores located inside of municipal markets, or street vendors throughout the country.

2. Market Size, Structure, Trends

Soy blends, isolates and proteins are extensively used in the processing of various foods such as cold cuts, meat and poultry products, ready to eat meals, liquid and powdered soymilk and soy juices. According to the American Soybean Association, soybean imports for human consumption have grown at an annual average rate of 8-to-10 percent from 295,000 MT in 2006 to 356,000 MT in 2008, or valued at US\$125 million. It takes about 5½ kilos of soybeans to produce 1 kilo of isolate protein, which is used by the food processing industry. However, due to the current economic situation soybean imports for human consumption are expected to grow but a lesser rate of between 4-5 percent for the next few years.

During the past 10 years, the Mexican health food market has developed rapidly. The production of soybean based products and in particular beverages made from soy is the fastest growing sector in the health food industry. The soy drink and juice

market in Mexico is still in its infancy but has been rapidly gaining market share. These products are mainly sold at regular supermarkets and health food specialty stores. It is not common to find them in convenient stores, “mom and pop” stores or street markets like other types of beverages such as regular juices, milk and sodas. Warehouse club stores also carry some of these products. The store with the widest variety of soy based beverages is Walmart, and the brands that are typically carried are ADES and SOLÉ.

Consumers that are aged between 20 to 50 years old are the most health conscious. Those consumers who live in major metropolitan areas and have enough disposable income to spend on health food products represent about 5 percent of the population of Mexico, or 4-5 million people. These consumers spend about \$500 per year on average on health foods with beverages accounting for at least one third of that amount of which about 2 percent are soy based beverages.

Although the size of the market is unknown, industry experts, comments from some of the main retailers, and other contacts have estimated the size of the market. Approximately 6 million liters of soymilk, and more than 50 million liters of soy juice are sold in the Mexican market every year. The soy beverage market is estimated at US\$80 million.

Soy beverages produced domestically supply over 95 percent of local demand. Domestic production has been increasing at an annual average rate of 15-20 percent during the past 3 years. Although production is expected to continue to grow, the pace will drastically slow to only 5-6 percent in the coming years or until the economy stabilizes again. Finished product imports account for less than 5 percent of demand. Some imported products, like Silk and Soy Dream, are mainly found at health food or organic stores. The strongest competition in this sector comes from the Mexican processing industry. Third country competition currently does not represent a threat to U.S. imports.

Soy drinks and juices represent over 90 percent of this segment and the top six juice manufactures in Mexico now have added a soy beverage to their line. Soy juice drinks account for over 85 percent of sales and soy milk accounts for the balance. Unilever, with its ADES brand, controls over 80 percent of the soy milk market and 16% of the soy juice market. In an attempt to continue to gain market shares and compete during this economic slowdown, companies are launching trial products with innovative flavors and nutritional benefits such as added vitamins, minerals, fiber, etc. Such is the case with Unilever. In 2008 they launched its Tropical Fruits and Lime-Limon drink mixes. This also serves as a test for consumer preferences. If popular, these products might end up on store shelves.

Due to the absence of cholesterol, lactose and in many cases sugar, these products are marketed as healthy. This strategy has worked well for consumers that are interested in healthier lifestyles as well as for those with allergies or health concerns.

Although it is not common to have a private label soy drink, if the market continues to grow as it has, it is very likely that all the main retail and club stores will begin to market their own products.

The market for soy beverages will continue to grow, but at a much slower pace. This growth will offer opportunities for U.S. suppliers of soybeans, soybean isolates, concentrates and proteins. While there are also opportunities for fully processed products, the current economic situation and a fluctuating exchange rate may directly affect potential imports of these products. Domestic production is expected to remain the primary competitor for imported U.S. products.

3. Company Profiles

There are over 30 manufactures of soybean products in Mexico. Most of them produce powdered soy milk including

Soyamigo, Nutrimania, Alimentos Colpac, in addition to others. Around 10 manufacturers produce soy drinks and juices including large corporations such as, Unilever, Herdez, Jumex, Del Valle, Valle Redondo, and Sigma Alimentos. There are only a handful of producers of nutraceutical soybean products such as Omnilife and Herbalife.

Table 2: Main Brands and Flavors of Soy Drinks

MANUFACTURER	BRAND NAME	FLAVORS
SOYMILKS AND SOYJUICES		
Unilever de Mexico	ADES Natural	Natural, chocolate, strawberry and Banana all in regular and Light versions
		Peach, Guava, Pineapple-Coconut, Grape only in regular versions.
	ADES Frutal	Guanabana, Apple, Mango, and Orange in both natural and Light versions
	ADES Mix	Tropical Fruits (orange/strawberry/kiwi/mango/banana) Lima-Limón
Sigma Alimentos	Solé Soymilk	Natural and Chocolate in regular versions
	Solé Soyjuice	Peach-Apple
		Apple-Cranberry
		Apple-Pineapple & Apple-Pineapple Light
		Mango-Orange-Pineapple Regular & Light
Jugos del Valle	Del Valle Soya	Apple, Peach, Fresa, Guayaba, Pineapple-Coconut, Mango
Jumex	Soia	Apple, Peach, Orange, Mango
Valle Redondo	Sonrisa Soya	Apple, Peach, Mango, Strawberry, Guanabana, Cantaloupe, Orange
POWDERED SOYMILKS		
Alimentos Colpac	Soyapak	Natural flavor
Nutrisa	Soylet	
Nutrimania	Milkysoy	
High Protein	Daysoya	
Alinte	Soyactive	
100% Soya	Batisoya	
Soyamigo	Synken	
NUTRACEUTICALS		
Omnilife	Supermix	Strawberry, Vanilla and Chocolate
Herbalife	Protein Drink Mix	Chocolate and Vanilla

SECTION III. COST AND PRICES

Almost all of these beverages come in Tetrapak packages and in 2 sizes, 946 ml and 200 ml. Prices vary from \$1 to \$1.50 for the large size and from \$0.30 to \$0.50 cents for the smaller size.

According to NAFTA, all import tariffs for U.S. products were reduced to zero on January 1, 2009. However, on March 18, 2009, the Secretariat of Economy (SE) published an announcement in the Diario Oficial (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs are in retaliation over the elimination of the U.S.-Mexico Cross-Border Trucking Demonstration Project. For more information on the latest Tariff Modifications see GAIN report MX9010 at <http://www.fas.usda.gov/scripts/attacherep/default.asp>

Fruit juices were one of the 36 products and are now assessed a duty of between 15-to-20 percent. Although this measure is

not permanent, it had an immediate impact on U.S. exports of these products. Another product that was assessed a higher duty was soy sauce. Also, there are numerous rumors that shipments of soybeans and their by-products have been detained at the border.

Also some restrictions may apply to products containing sugar if they are part of the Sugar Re-export Program.

Most soybean products are imported through tariff code 2106.10.01 and 2106.10.04. However, it is necessary to present a technical letter with all the product's components and their formula to the customs broker in order to confirm the product's tariffs and health requirements.

Mexico has a 15 percent value-added tax (VAT, or IVA in Spanish) except in the border cities where this tax is 10 percent. Mexican Customs collects the VAT on foreign transactions upon entry of the merchandise into the country. Customs brokers use the total figure to calculate their fees, which is usually 0.5 percent, on average, plus any storage and handling fees.

SECTION IV. MARKET ACCESS

Under NAFTA, imports of health foods considered as food supplements require a special import permit called "Permiso Previo de Importación", along with a Sanitary Certificate and a questionnaire on Good Sanitary Practices must be completed. This Secretariat of Health requirement is administered by COFEPRIS-Federal Commission for Health Risk Protection (see contact section for more information).

The basic Mexican import document is the imports permit "Pedimento de Importación" (customs entry document), which must be presented to Mexican Customs along with the commercial invoice in Spanish and a bill of lading. Products qualifying as "North American" must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This is issued by the exporter and does not have to be validated or formalized.

Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Imported health foods to be sold in the retail sector must be labeled according to the Mexican government specifications in **NOM-051-SCFI-1994**, "General Labeling Specifications for Pre-packaged Foods and Non-alcoholic Beverages". Under this NOM, nutritional information is voluntary, unless a nutritional claim is made and in this case the label must be evaluated by COFEPRIS. This NOM applies to most food items. Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and must include the following data:

- Commercial/brand name
- Producer's name and address
- Exporter's name and address
- Country of origin (i.e., Product from de EE.UU.)
- Importer's name, address and RFC number (taxation number)
- Product description in Spanish

- Product description in English
- Preparation and handling instructions
- Net weight in metric units
- Date of expiration
- Ingredients
- Special warnings*

*Effective January 7, 2004 all labels with special information will have to be translated by specialized translators authorized by the Secretariat of Health for such purposes. A list of these translators may be obtained through the COFEPRIS. The translator must receive the original label (not translated) including the product's contents list and its formula. Based on this, the translated label will be amended based on the COFEPRIS' definition if the product is or is not a food supplement.

For detailed information on the Mexican Exporting/Border Crossing Procedures, Import Requirements and Labeling Regulations, please refer to the following Gain Reports: MX8313 Mexico Exporter Guide, MX8314 FAIRS Report and MX1223 Labeling Regulations at <http://www.fas.usda.gov/scripts/attacherep/default.asp>.

The Agricultural Trade Offices in Mexico City and Monterrey provide services to help you access the Mexican market. In addition to sponsoring U.S. Pavilions at trade shows, the office can provide information about local distributors and contacts, and arrange individual meetings for you in the country. For more information on available services please contact our offices in Mexico City or in Monterrey, or visit the U.S. Department of Agriculture web page at <http://fas.usda.gov>.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office, México City

W. Garth Thorburn, Director

Liverpool No. 31

Col. Juárez

06600 México, D.F.

Tel: (011-5255) 5140-2671

Fax: (011-5255)-5535-8357

E-mail: atomexico@usda.gov

Web Page: <http://>

U.S. Agricultural Trade Office, Monterrey

Richard Battaglia, Director

Oficinas en el Parque Torre II

Blvd. Díaz Ordaz No. 140, Piso 7

Col. Santa María

64650 Monterrey, N.L.

Tel: (011-5281) 8333-5289

Fax: (011-5281) 8333-1248

E-mail: atomonterrey@usda.gov

American Soybean Association-International Marketing

William Brant, Director

Guadalajara World Trade Center

Av. Mariano Otero # 1249

Col. Rinconada del Bosque

44530, Guadalajara, Jal.

Tel: (011-5233) 5000-0990

Fax: (011-5233) 5000-0999

E-mail: asamex@soyamex.com.mx

COFEPRIS-Comisión Federal para la Protección Contra Riesgos Sanitarios

Monterrey No. 33, Piso 7

Col. Roma

Tel: (011-5255) 5080-5200

Fax: (011-5255) 5080-5357

Contact: Dr. Usbaldo Martínez, D.L. (011-5255) 5080-5357

or www.cofepris.gob.mx

ANIPRON-Asociación Nacional de la Industria de Productos Naturales

Periférico Sur No. 5482

Col. Pedregal de Carrasco

Tel: (011-5255) 5424-5630

Fax: (011-5255) 5424-5630

Contact : Alberto López Aguado

Web Page: www.anipron.org